

Message Text

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PAGE 01 LIMA 07115 201026Z
ACTION ARA-10

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FM AMEMBASSY LIMA
TO SECSTATE WASHDC NIACT IMMEDIATE 6267

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LIMDIS

FOR DELIVERY MORNING AUGUST 20

FOR ARA - FOR DEPUTY ASSISTANT SECRETARY ARELLANO

E.O. 11652: GDS
TAGS: ECON EALR PE
SUBJECT: PERU AND THE INTERNATIONAL FINANCIAL COMMUNITY

REF: (A) STATE 197833; (B) STATE 194542

1. THE WORDING OF THE PHRASE IN QUESTION -- "WHATEVER SUPPORT MAY BE POSSIBLE" -- WAS MEANT TO REFLECT OUR UNDERSTANDING OF THE SEVERE LIMITATIONS ON THE USG'S CAPACITY TO INFLUENCE THE DECISIONS OF THE INTERNATIONAL LENDING INSTITUTIONS, PUBLIC AND PRIVATE ALIKE. I HAVE REPORTED PREVIOUSLY ON MY EFFORTS TO DISABUSE THE GOP OF THE NOTION THAT THE FUND IS SOMEHOW RESPONSIVE TO USG POLICY. AND I WOULD BE THE LAST TO SUGGEST THAT WE TRY TO TELL THE PRIVATE BANKS WHAT TO DO WITH THEIR DEPOSITOR' MONEY IN THIS SITUATION. (WE ARE ADDRESSING THE IDB AND IBRD ASPECTS OF THE ISSUE IN A SEPARATE RESPONSE TO REF (B).

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2. BUT THERE MAY BE OPPORTUNITIES FOR US TO HELP AT THE MARGIN WITH RESPECT TO HOW THESE INSTITUTIONS APPROACH THE PERUVIAN PROBLEM. IN MY OWN CONTACTS WITH VISITNG BANKERS AND BUSINESSMEN I HAVE TRIED, FOR EXAMPLE, TO BRING OUT THE FACT THAT THE GOP'S CONCERN FOR THE SOCIAL AND POLITICAL CONSEQUENCES OF A DRASTIC AUSTERITY

PROGRAM IS SOMETHING MORE THAN A DELUSION OR AN EXCUSE.
(ON THE OTHER SIDE I HAVE BEGUN TO BORE MY AUDIENCE
WITH CONSTANT REPETITION OF THE THEME THAT NEGOTIATIONS
WITH THE FUND SHOULD BE PURSUED DILIGENTLY.)

3. AS WE HAVE REPORTED, THE PERUVIAN TEAM IS TO BE IN
WASHINGTON THIS WEEKEND FOR TALKS WITH THE FUND. CONTRARY
TO MY WORST FEARS OF THE PAST WEEKS, I THINK THE
MESSAGE THEY BRING MAY NOT BE ALL THAT BAD. THE EVIDENCE
TO DATE IS THAT THE GOP INTENDS TO CONTINUE EFFORTS TO
LIMIT THE FISCAL DEFICIT AND HOLD DOWN MONETARY EXPANSION.
THE STICKING POINT MAY BE THE PROBLEM OF THE EXCHANGE
RATE, BUT WE ARE BY NO MEANS CERTAIN AS YET THAT THERE
IS NO ROOM THERE FOR NEGOTIATION. IN ANY EVENT, THE
PRESIDENT AND HIS COLLEAGUES SEEM GENUINELY CONVINCED
THAT THE "SACRIFICES" THEY ARE MAKING RENDER PERU WORTHY
OF A CONSIDERATE HEARING.

4. YOU MIGHT WANT TO LOOK INTO THE POSSIBILITY OF MEETING
WITH THE PERUVIAN TEAM WHILE THEY ARE THERE.
IT WOULD BE MOST HELPFUL TO ME TO HAVE YOUR FIRST-HAND
IMPRESSIONS OF THEIR PLANS AND PROSPECTS.
SHLAUDEMAN

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Message Attributes

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